

# *Evolution of GDP: The case of Romania*

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## **Abstract**

*The study examines the evolution of GDP in the period 2009 - 2012. The results evidenced by the macroeconomic indicators show a disastrous trend in this period, as effect of the economic and financial crisis. When analyzing the data available for 2012, we have to consider as starting point the actual situation being recorded by our country during this year. Thus, for instance, the stocks variations recorded a lower contribution, while the net export, namely the difference between exports and imports, recorded a more reduced effect, following the reduction of the deficit of the foreign trade balance.*

**Key words:** *GDP; deficit; evolution; analysis; investment*

## **1. The GDP evolution by categories of utilizations**

From the point of view of the utilizations in the GDP forming during the year 2012, there have contributed: the stocks variation, the net export, the gross forming of fixed capital, the final collective consumption of the public administration, the final individual consumption of the households.

Under such circumstances, we find out that, from the point of view of the utilizations, the GDP formation has been achieved by the contribution of the following factors; gross forming of the fixed capital, final individual consumption of households with a decrease of -0.4%, which implies the following conclusions:

- From the point of view of utilizations, positive influences on the GDP achievement have been recorded by the final collective consumption of the public administration, stocks variation and net exports;
- Negative influences on the GDP forming have been recorded by the final individual consumption of households, and the gross forming of fixed capital.

The analysis of the influence factors of the GDP forming by categories of utilizations may be emphasized by the analysis of rhythm at which, the categories of utilizations considered for the GDP achievement

have influenced this achievement in 2013 comparatively with 2012. Thus, the individual consumption of households and the collective consumption of the public administration, together, have been reduced. A more marked decrease has been recorded by the net export. Another negative effect has been recorded by the rhythm of increasing of the gross forming of fixed capital.

The GDP evolution during 2013 follows line of going on the recovery road from the process of recession. During the first six months of the year 2013, the "un-accounted" negative effects of the year 2010-2013 have been taken over and then continued with a slight increase, maintained.

Thus, the GDP has not yet reached the level recorded in 2009; most of the branches recorded negative contributions, which implies the entrance into a macroeconomic managerial mess; the structure by branches and utilizations has been negative. In 2012, GDP grew by 1.1% as against 2011 and follows an oscillatory course in 2013, recording, during the first six months of the year an increase of 1.8% as against the same period of the previous year.

The survey on the economic evolution, considering the modifications of the GDP in the European Union countries, emphasizes the extremely critical situation existing on the European and, at a larger extent, international plan.

## 2. GDP evolution - seasonally adjusted series

As from the III quarter 2008, the seasonally adjusted Gross Domestic Product recorded a constant decrease from one to another quarter. The biggest decrease has been recorded during the 1<sup>st</sup> quarter 2009 as against the IV quarter 2008 (-4.1%).then, the GDP evolution, seasonally adjusted on the number of working days, constantly until 4<sup>th</sup> quarter, 2010.

**The weight of the main categories of utilizations in GDP**

Indicator	Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Actual individual consumption of the households	75.7	77.5	78.5	77.9	75.3	74.0	72.7	72.6	72.4	72.7
Actual collective consumption of the public administration	9.8	7.9	8.3	7.7	7.6	7.7	8.2	7.1	7.3	7.1
Capital gross forming	21.5	21.8	23.7	25.6	30.2	31.9	25.6	22.5	22.3	22.2
Stocks variations	0.6	1.8	-0.3	0.9	0.8	-0.6	-0.6	3.5	3.9	4.1
Net export	-7.6	-9.0	-10.2	-12.1	-13.9	-13.0	-5.9	-5.7	-5.9	-5.7

**Data source:** National Institute of Statistics

When analyzing the quarterly evolution of the seasonally adjusted GDP during the year 2010 comparatively with the corresponding quarter of the previous year, it can be stated out that the biggest decrease has been recorded during the II quarter while the smallest one occurred during the fourth quarter. The same positive rhythm was also observed in 203 1. During Quarter IV, 2011 and Quarter I, 2012, GDP decreases were recorded again. During the third and fourth quarters of 2012, and also during the first and second trimesters of 2012, GDP increased in a slow rhythm<sup>1</sup>.

In connection with the other European Union member countries, Romania recorded for the IV quarter 2010 as against the previous quarter, an economic decrease while a significant number of countries have recorded increases (Belgium, Denmark, France, Lithuania, Austria, Poland, Slovenia, Great Britain), or recorded decreases below 0.5%. Meantime, the overall GDP of the EU increased by 0.1 %.

Comparatively with the IV quarter 2008, in 2009, 2010, 2011 and 2012, the EU member countries have recorded reduced volumes of the GDP, the biggest ones being recorded Latvia (-17.9%) and Lithuania (-13.2%), followed by Romania (-6.9%), Slovenia (-5.8%) and Hungary (-5.3%). The overall decrease at the EU level counted for -2.3%. In 2009, it has maintained an accelerated decrease rhythm.

In 2010, fourth quarter and 2011, some recovery, but uncertain, due to the crisis within the Euro union. In 2012, the unconvincing evolution of GDP continues, and in 2013 the first signs that show the beginning of a growth have occurred, a growth that is to manifest in the following period too.

Significant contributions to the negative evolution of the GDP during 2010, 2011 and 2012 comparatively with 2009 are given by the constructions, which recorded a decrease as well as by the section trade, cars and households appliances repair, hotels and restaurants, transports and telecommunications recording a decrease.

The other branches have recorded small decreases of activity volumes.

The previously mentioned branches had the highest negative impact on the GDP volume decrease during the period 2009- 2012 comparatively to 2008, as they have recorded decreases.

As far as the utilization is concerned, the highest impact on the GDP decrease during the period 2009- 2012 comparatively with 2008, went to the gross forming of fix capital, the individual consumption of the population households, the collective consumption of the public administrations.

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<sup>1</sup> Anghelache, C., Manole, A. (2012) - "Romania in the European Union – International Comparisons", Romanian Statistical Review, Issue 6/2012

The increase of the exports of goods and services had a positive impact<sup>2</sup>.

According to the seasonally adjusted data, the gross forming of Fix capital had the biggest negative contribution. These reductions have been partially compensated by the increase of the volume of the exports of goods and services, and the collective consumption of the public administration.

### **GDP structure by categories of utilizations, in 2012**

Indicator	Romania
<b>Gross Domestic Product</b>	<b>578551.9</b>
Final consumption	441657.1
Gross forming of fix capital	166675.7
Export of goods and services	221841.1
Import of goods and services	251623.1
Net export of goods	-29780.9

**Data source:** National Institute of Statistics

Based on a comparison between the GDP structure by categories of utilizations in Romania as against the EU, there is a superior weight of the gross forming of fix capital and a lower weight of the exports of goods and services in Romania comparatively with the European Union.

### **3. The achievement of the Gross Domestic Product by ownership forms**

Out of the performed analysis, it results that for the period 2009-2012, for which there are provisional data, the private sector contributed with 72.4%-75.4% to the GDP forming. The weight of the private sector, still low, has been generated mainly by the gross added value in the agriculture. Such an influence is a normal one if to consider that the agriculture has to face negative natural conditions.

If comparing the weight of the private sector in the GDP achievement with the Figures recorded for the previous periods, we find out that this weight is superior to all the periods being analyzed as from the year 2000, even as from the year 1990, up to date.

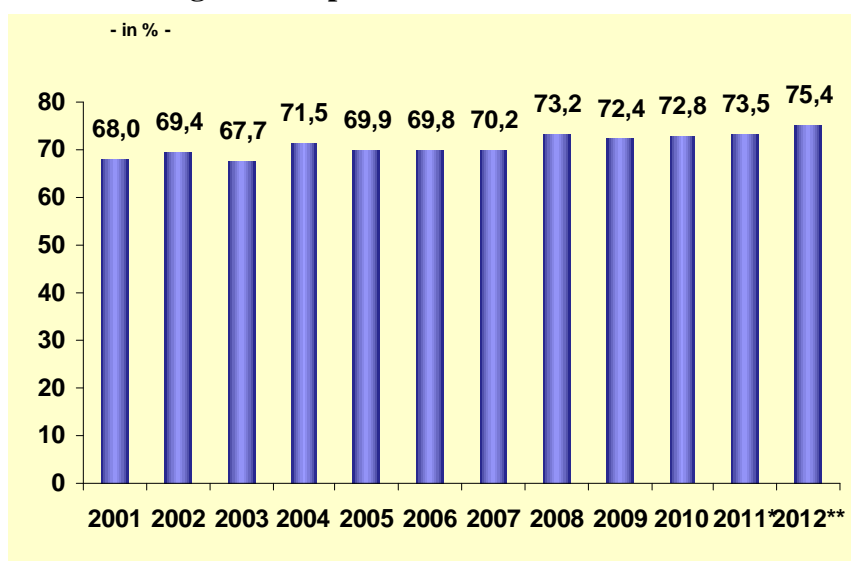
In 2010-2012, for which we are actually performing a complete analysis, we find that the weight of the private sector in the gross added value increased as for the constructions field.

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<sup>2</sup> Anghel, M.G. et. al. (2012) – “*Production and Trade of Goods*”, Revista Română de Statistică – Supliment Trim II/2012

What is really important is the fact that the weight of the private sector in the achievement of the gross added value by branches of the national economy and, eventually, to the GDP forming, kept on maintaining at a high level.

### Gross Domestic Product weight of the private sector in 2004 – 2012



\*1) Semi-final data. \*\*\*) Estimate data.

Data source: National Institute of Statistics, Statistical Bulletin no. 7/201

It is obvious that the privatization of other administrations or extending the privatization at the level of branches already privatized will have the targeted effect.

Here we have to underline the fact that such an analysis is not always pertinent since there will be and remain sectors of activity absolutely important for the national economy for which the state must keep its attributes of sole owner<sup>3</sup>.

#### 4. Direct foreign investments

The year 2012 was a year when a series of sectors of activity kept on getting privatized while those already privatized kept on increasing their patrimony (capitals) by attracting new autochthonous and foreign

<sup>3</sup> Anghel, M.G. (2010) – “*Utilizarea modelelor econometrice în analizele economice*”, Simpozionul științific internațional „Necesitatea reformei economico – sociale a României în contextul crizei globale”, Editura Artifex, București, 2010

investments which, from the point of view of the effects on the national economy structure is an important aspect to consider<sup>4</sup>.

Under the circumstances, according to the data provided by the NBR, it is resulting that in 2010 the total value of the direct foreign investment in Romania reached the level of 3,914 and for 2011, it had the value of 3,329,432.4 thousand euro, in 2012 it was 2,856,416.6 thousand euro and recorded a value of 1,066,398.4 thousand euro for the first seven months of 2013.

#### The value of the foreign direct investment flows

- million euro-

Indicator	2008	2009	2010	2011	2012	2013 <sup>*)</sup>
<b>Total</b>	<b>9496</b>	<b>3488</b>	<b>2220</b>	<b>1920</b>	<b>1204</b>	<b>2315</b>
Capital share	4873	1729	1824	1817	916	1805
Intra-group credits			396	594	288	510
	4623	1759				

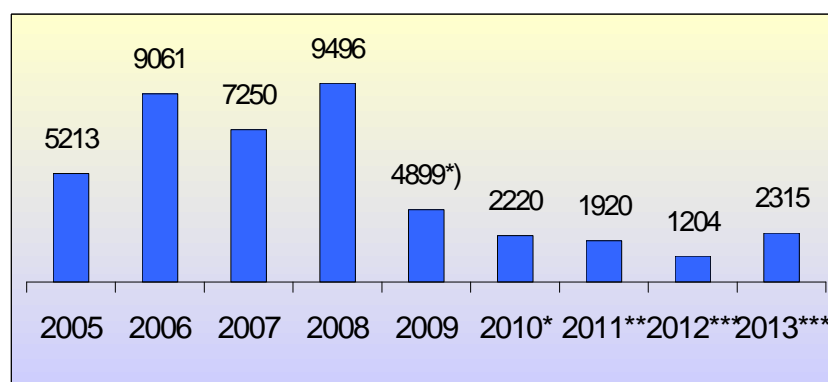
Data source: National Bank of Romania

<sup>\*)</sup> Provisional data, on six months

In the year 2010, 1,824 million euro of the direct foreign investment has been placed in the sector of “participations to capital” and 396 million euro represented intra-group credits

#### The value of the foreign direct investment flows

– million euro-



<sup>\*)</sup> semi-definitive data, <sup>\*\*)</sup> revised data, <sup>\*\*\*)</sup> provisional data, 30.06.2013

Data source: National Bank of Romania.

<sup>4</sup> Anghel, M.G. et. al. (2012) – “*Production and Trade of Goods*”, Revista Română de Statistică – Supliment Trim II/2012

Meantime, by the end of 2010, the direct investment of the Romanian residents abroad counted for 1,675 million euro, this being the contribution evaluated by the documentary system available in the country.

The year 2012 reveals a situation hard to figure. The foreign direct investment counted for 1,240 million euro only. Out of this amount, 69.3% have represented capital shares and 30.7% intra-group credits.

The structure of the foreign capital flows invested in the Romania economy is shown in the following table.

**Value of the foreign direct investment flow  
in 2012**

- million euro -

Indicator	2012 *)
<b>Total</b>	1204
Capital share	916
Re-invested profits	73
Intra-group credits	215

\*) Provisional data.

Data source: National Bank of Romania.

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